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STANROCK URANIUM MINES

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ANNUAL REPORT

1966



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STANROCK URANIUM MINES
LIMITED

ANNUAL REPORT
1966

STANROCK URANIUM MINES LIMITED

80 Richmond Street West
Toronto 1, Ontario, Canada

Officers

GEORGE ROWE, JR.	- - - - -	President
D. S. ROBERTSON	- - - - -	Vice-President
D. C. MARSHALL	- - - - -	Treasurer
HARMON DUNCOMBE	- - - - -	Secretary

Directors

JAMES BRUCE

Director of Technicolor, Inc., Republic Steel Corporation, Avco Corporation, U.S. Industries, Inc., Revlon, Incorporated, Loew's Theatres, Inc., and other companies; formerly United States Ambassador to the Argentine.

JOHN R. DUNNING

Member of the Executive Committee of the Company; Dean of the Faculty of Engineering and Director of Scientific Research, Columbia University, New York, N.Y.

ROBERT FRANKEL

President of Frankel Shops, Inc., Long Island, N.Y.

V. V. JACOMINI

Independent business consultant, Houston, Texas; Director, Gulf Sulphur Corporation.

JOHN F. A. NISCO

Member of the Executive Committee of the Company; officer, William D. Witter, Inc., investment bankers, New York, N.Y.

D. S. ROBERTSON

Vice-President and member of the Executive Committee of the Company; Consulting Geologist, Toronto.

GEORGE ROWE, JR.

President and member of the Executive Committee of the Company; member of the law firm of Fulton, Walter & Duncombe, New York, N.Y.; Director, Foster Wheeler Corporation.

NELSON C. STEENLAND

Geophysicist; partner, Gravity Meter Exploration Co., Houston, Texas.

J. CARLTON WARD, JR.

Member of the Executive Committee of the Company; independent business consultant, Farmington, Connecticut; formerly President and Chairman of the Board, Vitro Corporation of America.

Counsel

FULTON, WALTER & DUNCOMBE

30 Rockefeller Plaza,
New York 20, N.Y.

CASSELS, BROCK, DESBRISAY, GUTHRIE, GRIFFITHS & GENEST

165 University Avenue,
Toronto 1, Ontario

Auditors

HARBINSON, GLOVER & CO.

101 Richmond St. West,
Toronto, Ontario

STANROCK URANIUM MINES LIMITED

President's Report

TO THE STOCKHOLDERS:

Financial statements for your Company for the year 1966 are included with this Report. Your Company continues to be in excellent financial condition. At the end of the year, net current assets were approximately \$1,000,000 and long term debt had been reduced to \$120,000.

All stockholders have been advised in detail in the proxy statement we sent you in February about your Company's proposed acquisition of The Stanward Corporation. We expect to consummate that acquisition in the next few weeks. We are still awaiting a favorable tax ruling from the United States Internal Revenue Service. Stockholders' meetings of the two companies are scheduled for March 21.

During 1966, the outlook for the uranium industry improved sharply, and we are looking forward to the time when economic conditions in the industry will permit us to resume conventional underground mining of our uranium deposits. In the United States, over 50% of all new electrical generating capacity contracted for in 1966 will be nuclear powered. There were over 20 new U.S. nuclear plants contracted for during the year with a combined capacity of close to 20,000,000 kilowatts, and a like trend to nuclear power is evident in other countries. Perhaps the most dramatic event in 1966 for the industry was the decision by the Tennessee Valley Authority to build two 1.1 million kilowatt power plants at Brown's Ferry, Alabama, deep in a low-cost coal area.

The demand for uranium which this surge to nuclear power will create has not been matched so far by discoveries of new substantial deposits of uranium.

In 1966, we produced by bacterial leaching uranium oxide and yttrium oxide with a sales value of \$818,681. Sales of surplus plant and equipment, a non-recurring source of revenue, amounted to \$81,760. Interest and miscellaneous income amounted to \$24,990. Net profit from these sources, after costs of \$790,790, was \$134,641.

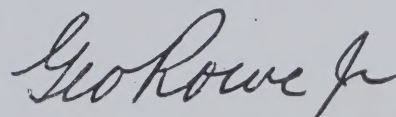
All sales of uranium oxide were made to Eldorado. All yttrium oxide sales were made to Michigan Chemical Company.

The stainless steel pumps and rubber-lined pipes which we installed in the mine in 1966 for use in the leaching operation have operated successfully. They have required relatively little maintenance, proved resistant to corrosion and increased our ability to pump underground water to the surface for treatment in the mill. During the latter half of 1966, recoveries of uranium oxide fell off in some of the areas of the mine being treated in the leaching operation. Leaching operations, particularly near the end of 1966, were interrupted when we commenced flooding some of these low-recovery areas, with the expectation that water from these areas will be recovered and treated at widespread intervals in the future, rather than on regular three-month cycles as has been the case. We also incurred substantial expenses in connection with our acquisition program in the last quarter. These factors, together with year-end expenses and audit adjustments, combined to cause a small loss in the last quarter of 1966.

During 1966, we intensified our efforts to acquire income producing properties and companies in order to take advantage of our \$18,600,000 of capital cost allowances for tax purposes and we have been continuing these efforts in 1967. Since October 1966, we have retained Woods, Gordon & Co., a leading Canadian firm of management consultants, to assist us in this program, and we have possible further acquisitions under active consideration at this time.

We take this opportunity to extend our thanks to Mr. B. G. MacDermid, Mine Manager, and our employees who have done a fine job for us at the mine, and to thank our stockholders for their support.

Very truly yours,



March 1, 1967.

President.

STANROCK URAN

Balance Sheet—as

ASSETS

Current:

		1965 Comparative figures
Cash, including time deposits	\$ 698,183	\$ 596,302
Accounts receivable	81,731	232,703
Inventory — uranium oxide at contract price	\$ 219,266	207,886
— yttrium oxide at lower of cost or selling	18,918	—
	238,184	
Prepaid expenses, stores and supplies	92,939	147,056
	<u>1,111,037</u>	<u>1,183,947</u>

Fixed, at cost:

Mining properties (acquired for 1,200,000 common shares)	300,000	300,000
Land	24,000	24,000
Buildings, machinery and equipment	16,148,264	17,009,833
Less: Accumulated depreciation	<u>16,070,555</u>	<u>(16,973,774)</u>
	77,709	
	<u>401,709</u>	<u>360,059</u>

Approved on behalf of the Board:

GEORGE ROWE, Jr., Director.

D. S. ROBERTSON, Director.

\$1,512,746 \$ 1,544,006

AUDIT

To the Shareholders of
Stanrock Uranium Mines Limited.

We have examined the balance sheet of Stanrock Uranium Mines Limited ended on that date. Our examination included a general review of the accounts we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings present the financial position of the company as at December 31, 1966, and the results of its operations for the year ended on that date, in accordance with the accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds, and in our opinion, the same presents fairly the source and application of funds.

Toronto, Ontario,
March 1, 1967.

A MINES LIMITED

December 31, 1966

LIABILITIES

Current:

Accounts payable and accrued liabilities	\$ 93,703	\$ 218,226
Long-term debt due within one year	40,000	40,000
	<u>133,703</u>	<u>258,226</u>

Long-term:

Note payable (secured) (Note 1)	\$ 160,000	200,000
Less: Due within one year	<u>40,000</u>	40,000
	120,000	<u>160,000</u>

SHAREHOLDERS' EQUITY

Capital:

Authorized:

6,000,000 Common shares with a par value
of \$1.00 each (Note 2)

Issued, fully paid and non-assessable:

4,993,286 common shares	4,993,286	4,993,286
Less: Discount on shares (Net)	<u>1,606,499</u>	<u>1,606,499</u>
	3,386,787	3,386,787

Deficit	<u>2,127,744</u>	2,261,007
	1,259,043	1,125,780
	<u>\$1,512,746</u>	<u>\$1,544,006</u>

The notes to financial statements are an integral part of this statement.

REPORT

at December 31, 1966, and the statements of earnings and deficit for the year
procedures and such tests of accounting records and other supporting evidence as

and deficit when read in conjunction with the notes appended thereto, present fairly
its operations for the year ended on that date, in accordance with generally accepted

application of funds which, in our opinion, when considered in relation to the
funds of the company for the year ended December 31, 1966.

HARBINSON, GLOVER & CO.,
Chartered Accountants.

STANROCK URANIUM MINES LIMITED

Statement of Earnings

For the Year Ended December 31, 1966

		1965 Comparative figures
Sales of uranium and yttrium concentrates	\$ 818,681	\$ 813,738
Operating expenses:		
Washing and milling	\$ 623,967	590,114
Administrative	139,102	166,805
Depreciation	8,634	—
	<u>771,703</u>	<u>756,919</u>
	46,978	56,819
Other income:		
Interest	24,590	8,238
Miscellaneous	400	—
	<u>24,990</u>	
Net profit for the year before special items	<u>71,968</u>	<u>65,057</u>
Add:		
Disposal of machinery and equipment	81,760	535,957
Disposal of Elliot Lake Housing properties	—	206,105
	<u>153,728</u>	<u>807,119</u>
Less:		
Investment written off	—	3,202
Exploration, acquisition and related expenses	19,087	7,862
Net profit and special items	<u>\$ 134,641</u>	<u>\$ 796,055</u>

Statement of Deficit

For the Year Ended December 31, 1966

Balance beginning of year	\$2,261,007	\$2,888,192
Add: Adjustments to prior years' earnings	1,378	168,870
	<u>2,262,385</u>	<u>3,057,062</u>
Less: Net profit for year and special items	134,641	796,055
Balance end of year	<u>\$2,127,744</u>	<u>\$2,261,007</u>

The notes to financial statements are an integral part of this statement.

STANROCK URANIUM MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31, 1966

Funds provided:

Net profit	\$ 134,641
Depreciation provided	8,634
	<u>143,275</u>

Funds applied:

Machinery and equipment	\$ 50,284	
Note payable	40,000	
Prior year's adjustments	1,378	91,662
Increase in working capital		<u>\$ 51,613</u>

NOTES TO FINANCIAL STATEMENTS

as at December 31, 1966

- Note 1.** The note bears interest at 5¼ %; is due September 1, 1970 and is secured by a mortgage on the Company's realty.
- Note 2.** Options outstanding as at December 31, 1966:
- (a) Options granted in connection with loans made to the Company in 1964 covering 105,000 common shares of the Company, exercisable at \$.50 per share over a five-year period ending in February 1969.
 - (b) Options granted during 1966 to officers and other key employees covering 100,000 common shares of the Company, exercisable before May 24, 1971 at \$1.70 (U.S.) per share (not less than the fair market value of such shares on the date of grant).
- Note 3.** As of the date of this balance sheet, the Company has \$18,613,665 in undepreciated capital cost allowances which may be claimed for tax purposes at the rate determined by law, against future taxable income of the Company.
- Note 4.** In November 1966, the Company entered into an agreement to acquire the assets of The Stanward Corporation, and to assume its liabilities, in exchange for a maximum of 1,388,085 common shares of the Company. Consummation of the acquisition is subject to certain conditions, including approval by the shareholders of both companies and receipt by Stanward of a favorable ruling from the United States Internal Revenue Service with respect to the tax-free nature of the exchange.

